

COMPETITOR REVIEW

6/17/94
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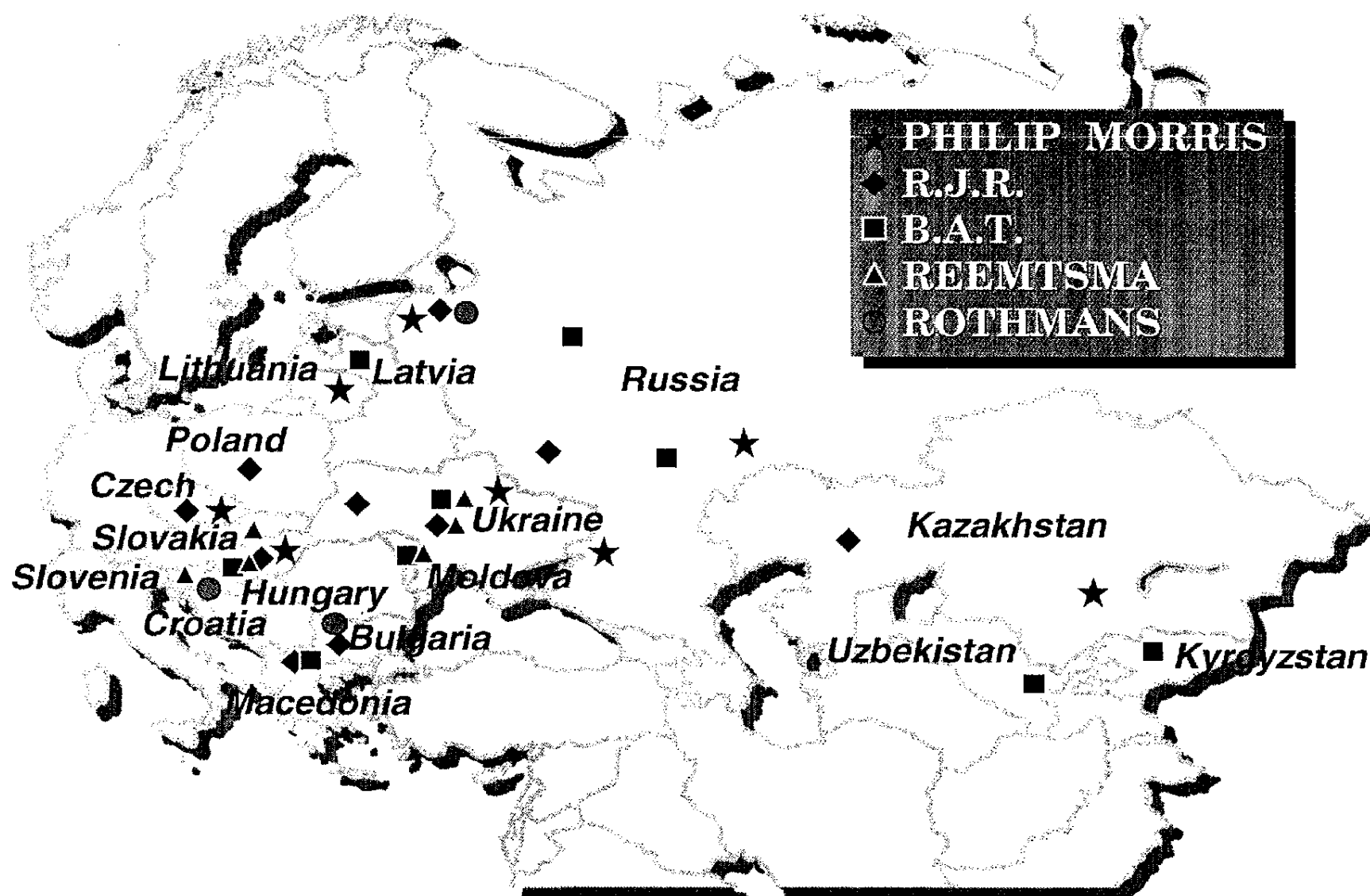
1994 REVISED FORECAST

JUNE 17, 1994

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COMPETITOR REVIEW



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COMPETITOR REVIEW

INTERNATIONAL VOLUME

(Bio Units)	1994E	1993	UNITS	%
PMI	500	460	+40	8.7%
BAT	512	493	+19	4.0
RJR	180	175	+5	3.0
JAPAN TOB.	289	289	-	-
ROTHMANS	143	137	+6	4.8
REEMTSMA	92	71	+21	29.0

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COMPETITOR REVIEW

SOURCE OF VOLUME GROWTH

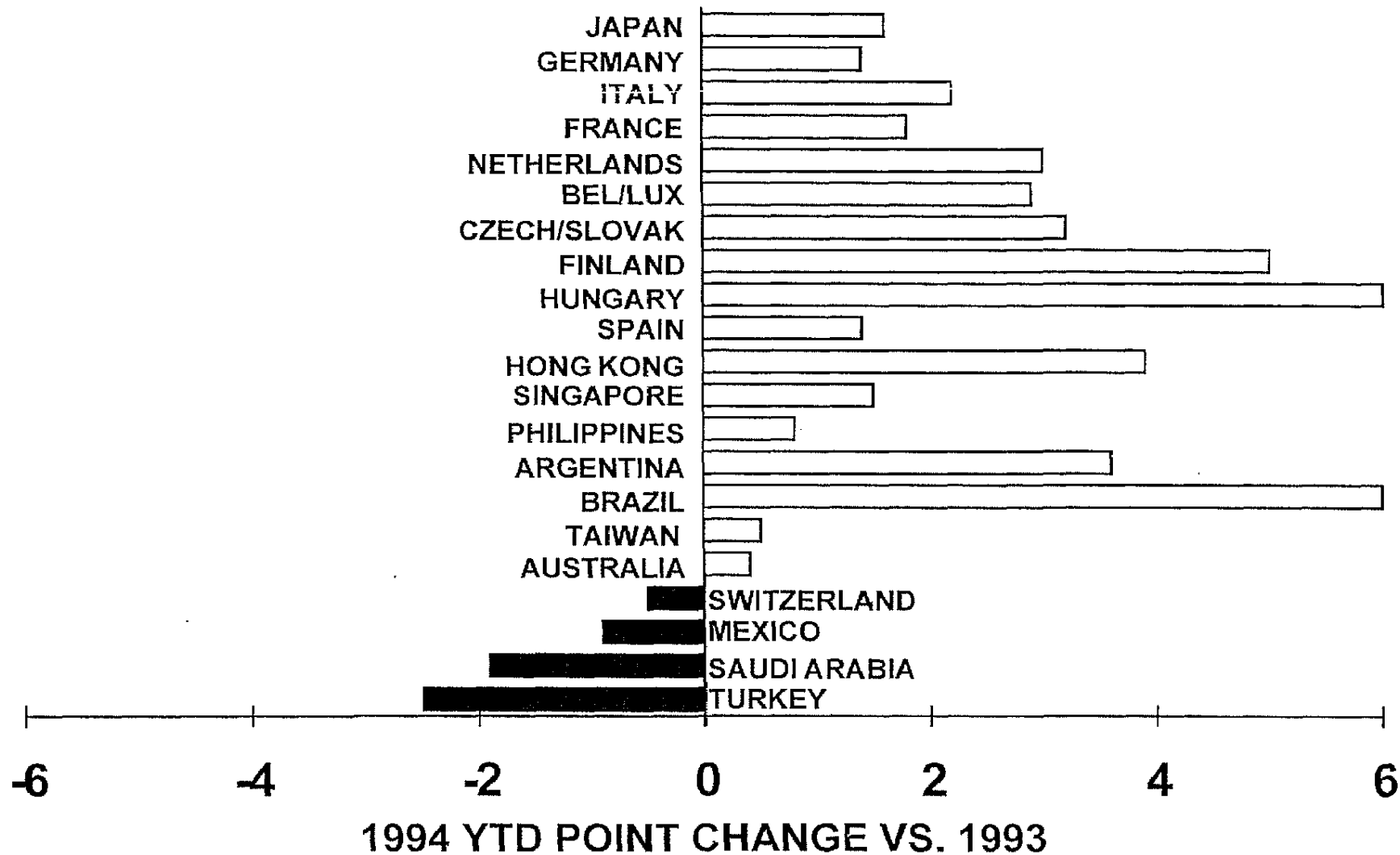
	1994E	1993	TOTAL	EXISTING BUSINESS	ACQUISITIONS JVs
PMI	500	460	+40	26	14
BAT	512	493	+19	-	19
RJR	180	175	+5	-5	10
JT	289	289	-	-	-
ROTHMANS	143	137	+6	4	2
REEMTSMA	92	71	+21	3	18

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COMPETITOR REVIEW

PMI MARKET SHARE TRENDS

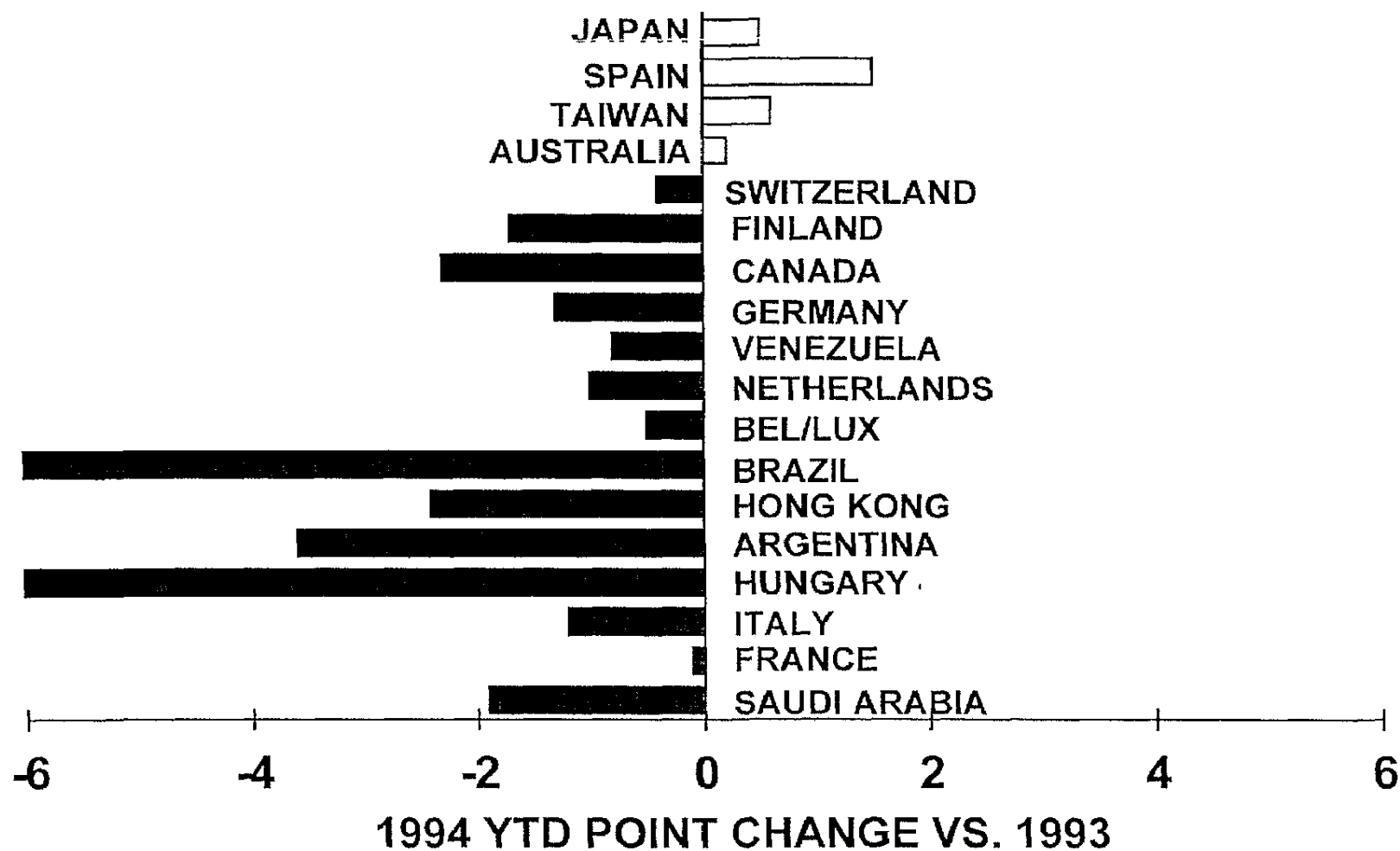


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COMPETITOR REVIEW

B.A.T. MARKET SHARE TRENDS



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COMPETITOR REVIEW

B.A.T.

1993 IFO

• \$1,542 Mio, DOWN 6.0% VERSUS 1992.

1994 VOLUME
VARIANCE

'93 ACTUAL	492.5
BRAZIL	(7.1)
RUSSIA	8.0
UKRAINE	7.0
UZBEKISTAN	3.0
CANADA	3.7
OTHERS, NET	<u>4.9</u>
'94 ESTIMATE	<u>512.0</u> Bio

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COMPETITOR REVIEW

B.A.T.

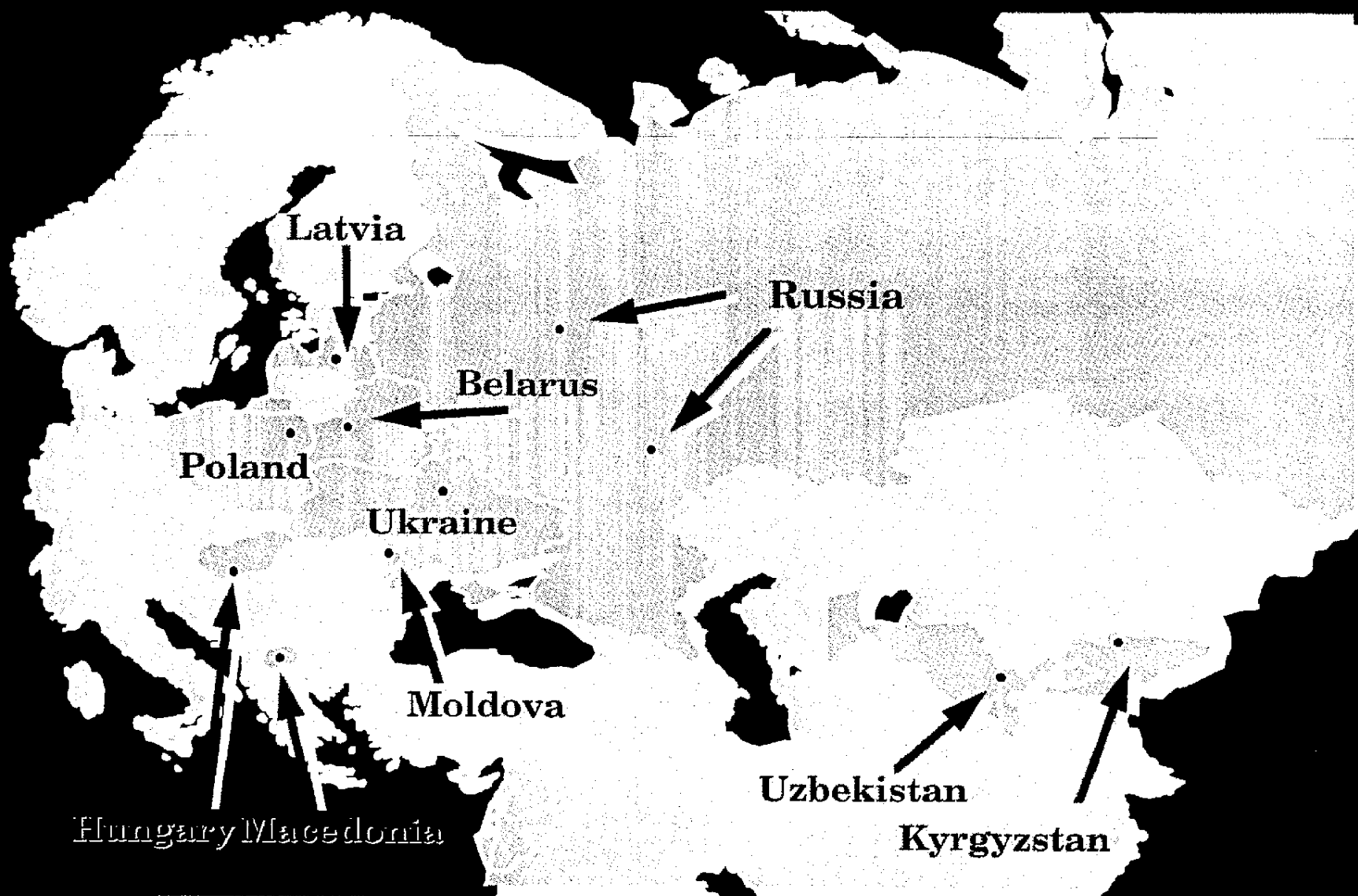
LATEST INITIATIVES

- **RUSSIA:** Acquired majority stake in the Saratov Tobacco Factory and is in advanced negotiations w/ Yava factory.
- **BELARUS:** Proposal to acquire Grodno factory
- **UKRAINE:** Acquired 65% share in the Priluki factory
- **UZBEKISTAN:** Acquired 51% share of the Uz factory.
- **KYRGYZSTAN:** LOI - Bishkek factory.
- **MOLDOVA:** LOI - Kishinev factory.
- **MACEDONIA:** Seeking to acquire 51% of Prilep factory.
- **ARGENTINA:** License agreement for Gitanes Blondes.
- **INDIA:** Unsuccessful in effort to raise ITC stake from 31.5% to 51%.

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COMPETITOR REVIEW

B.A.T.



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COMPETITOR REVIEW

B.A.T. RECENT TOBACCO INITIATIVES

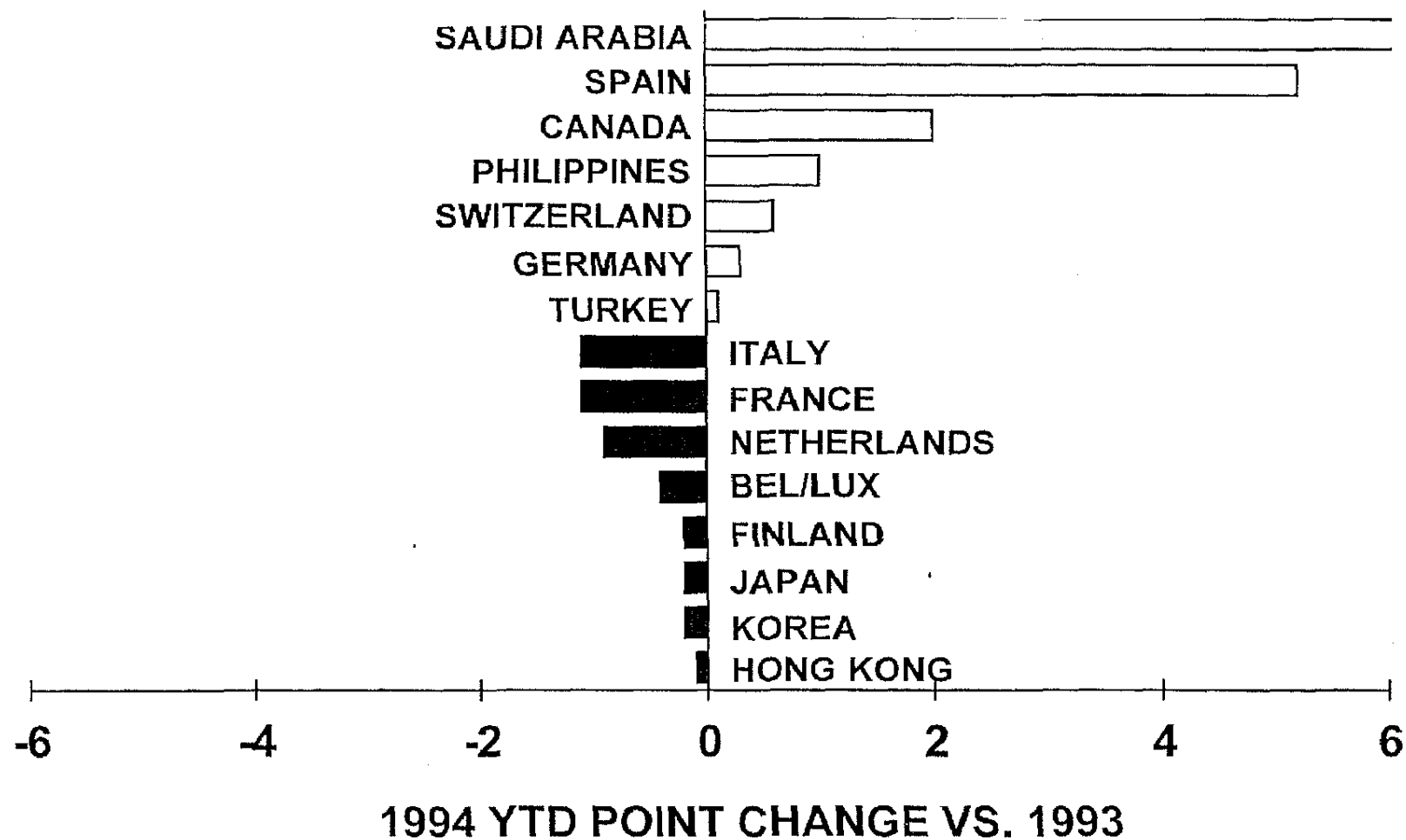
			AMOUNT	DEBT/EQUITY RATIO
NET DEBT 12/31/93			\$3,224	0.40
NEW INITIATIVES				
2/94	Kyrgystan	(Bishkek)	40	
3/94	U.S.A	(Am. Brands)	1,000	
5/94	Uzbekistan	(Tashkent)	200	
5/94	Russia	(Saratov)	40	
5/94	Russia	(Yava)	50	
5/94	Macedonia	(Prilep)	50	
Estimated Net Debt 6/94			\$4,604	0.57
Rumored Investments				
(Seita, Poland and Belarus)			\$1,000	0.70

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COMPETITOR REVIEW

R.J.R. MARKET SHARE TRENDS



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COMPETITOR REVIEW

R.J.R.

1993 IFO

• \$644 Mio, UP 12.0% VERSUS 1992.

1994 VOLUME
VARIANCE

'93 ACTUAL	174.7
UKRAINE	7.0
RUSSIA	3.3
JAPAN	(1.3)
FRANCE	(1.4)
NETHERLANDS	(1.3)
OTHERS, NET	(1.0)
'94 ESTIMATE	<u>180.0 Bio</u>

COMPETITOR REVIEW

R.J.R.

LATEST INITIATIVES

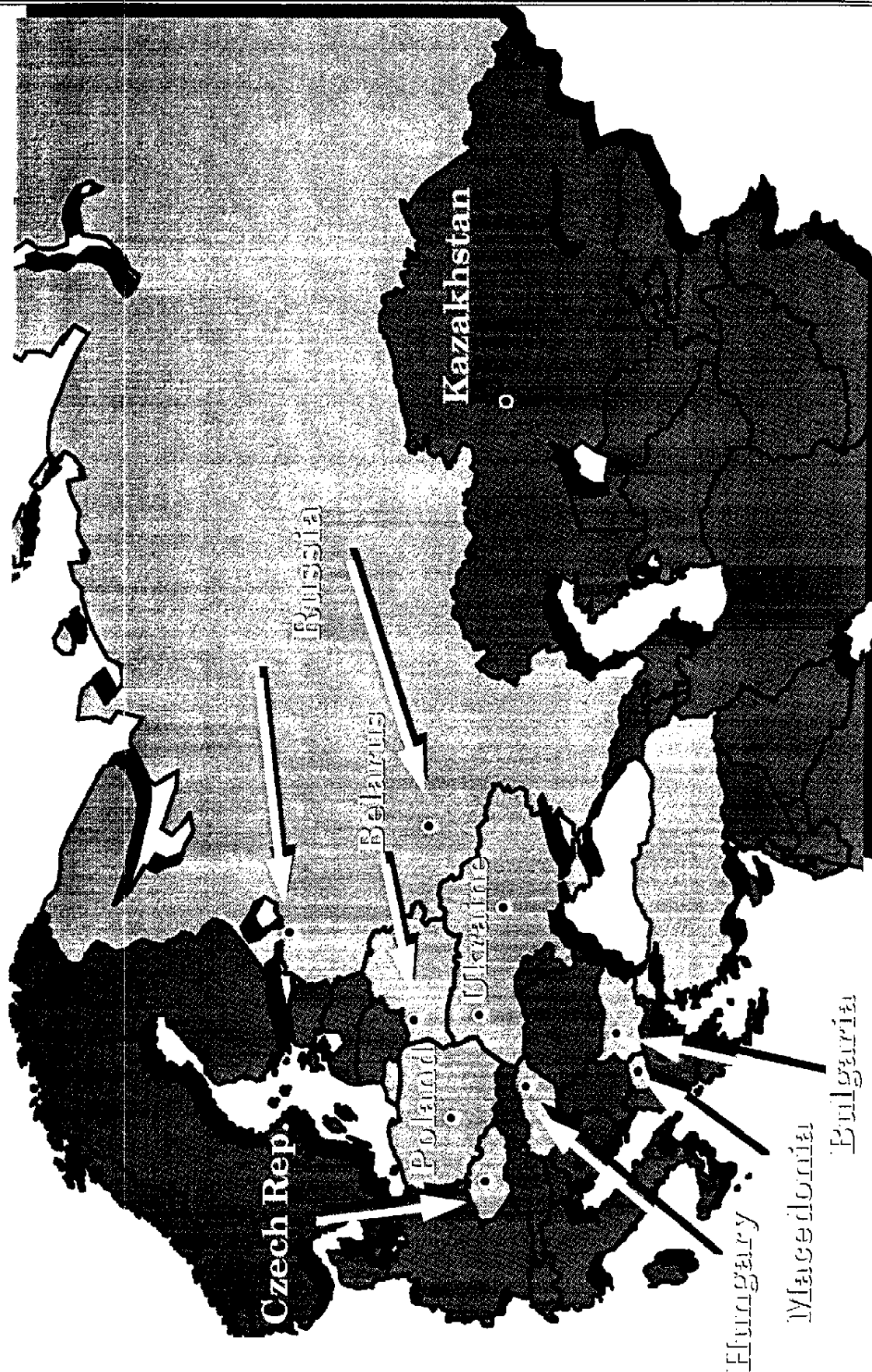
- **RUSSIA:** Acquired controlling interest in the Yelets tobacco processing plant. Also interested in the Armavir factory.
- **KAZAKHSTAN:** Seeking to acquire Chimkent Confectionary plant. May possibly install make/pack equipment.
- **BELARUS:** Proposal to invest \$77 mio in the Grodno factory for a 60% stake.
- **POLAND:** Inaugurated \$33 mio greenfield plant near Warsaw. Also interested in ZPT Radom.
- **CZECH:** Announced \$100 mio investment over the next 5 years.
- **BULGARIA:** Proposal for licensee production.

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COMPETITOR REVIEW

R.J.R.

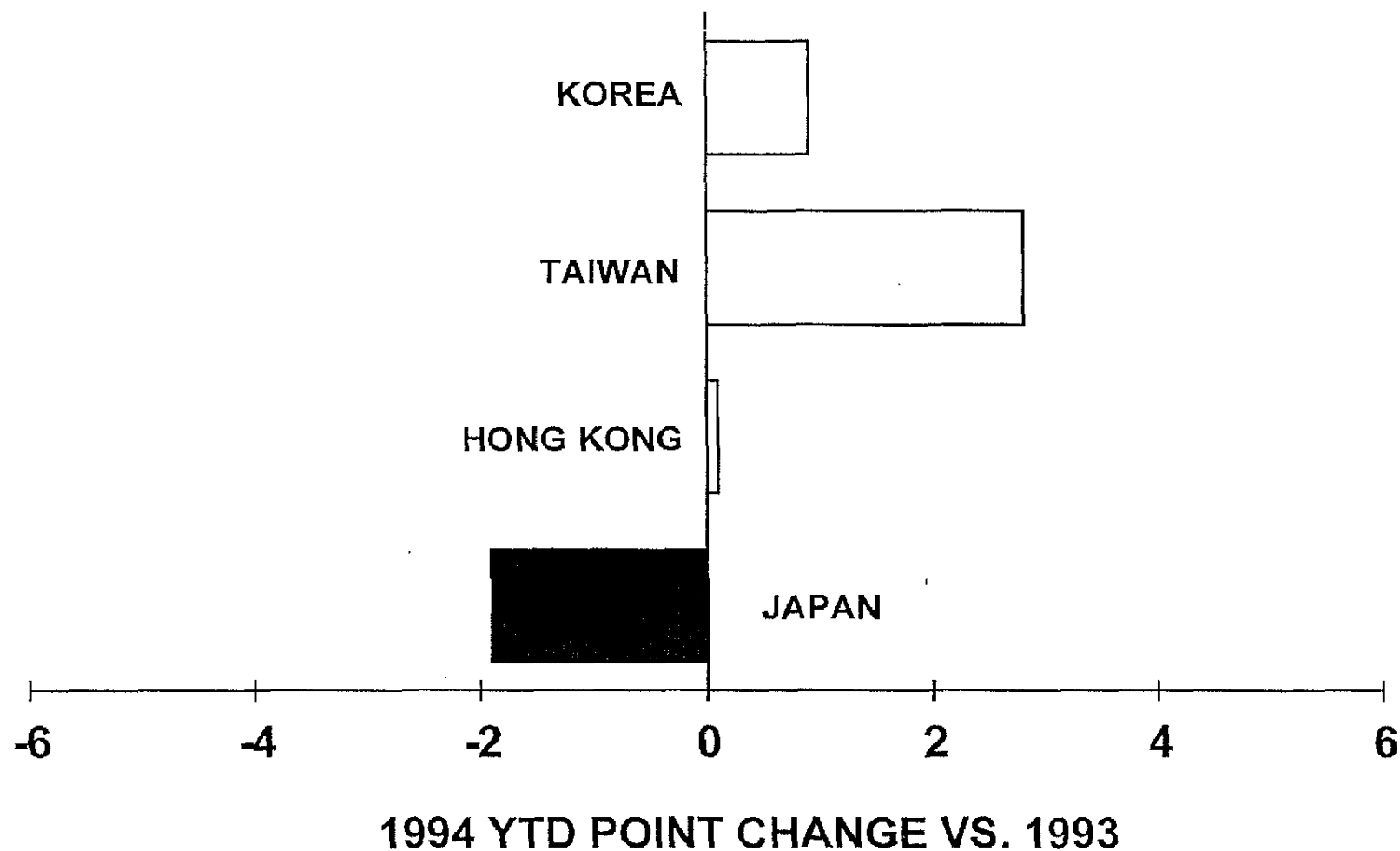


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COMPETITOR REVIEW

JAPAN TOBACCO MARKET SHARE TRENDS



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COMPETITOR REVIEW

J.T.

1993 IFO

• \$971 Mio, UP 29.3% VERSUS 1992.

1994 VOLUME
VARIANCE

'93 ACTUAL	289.0
JAPAN	(3.5)
KOREA	0.4
TAIWAN	0.2
MIDDLE EAST	0.6
OTHERS, NET	2.3
'94 ESTIMATE	<u>289.0 Bio</u>

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COMPETITOR REVIEW

J.T.

LATEST INITIATIVES

- U.K:

Announced £47 mio investment in a greenfield factory in Manchester.

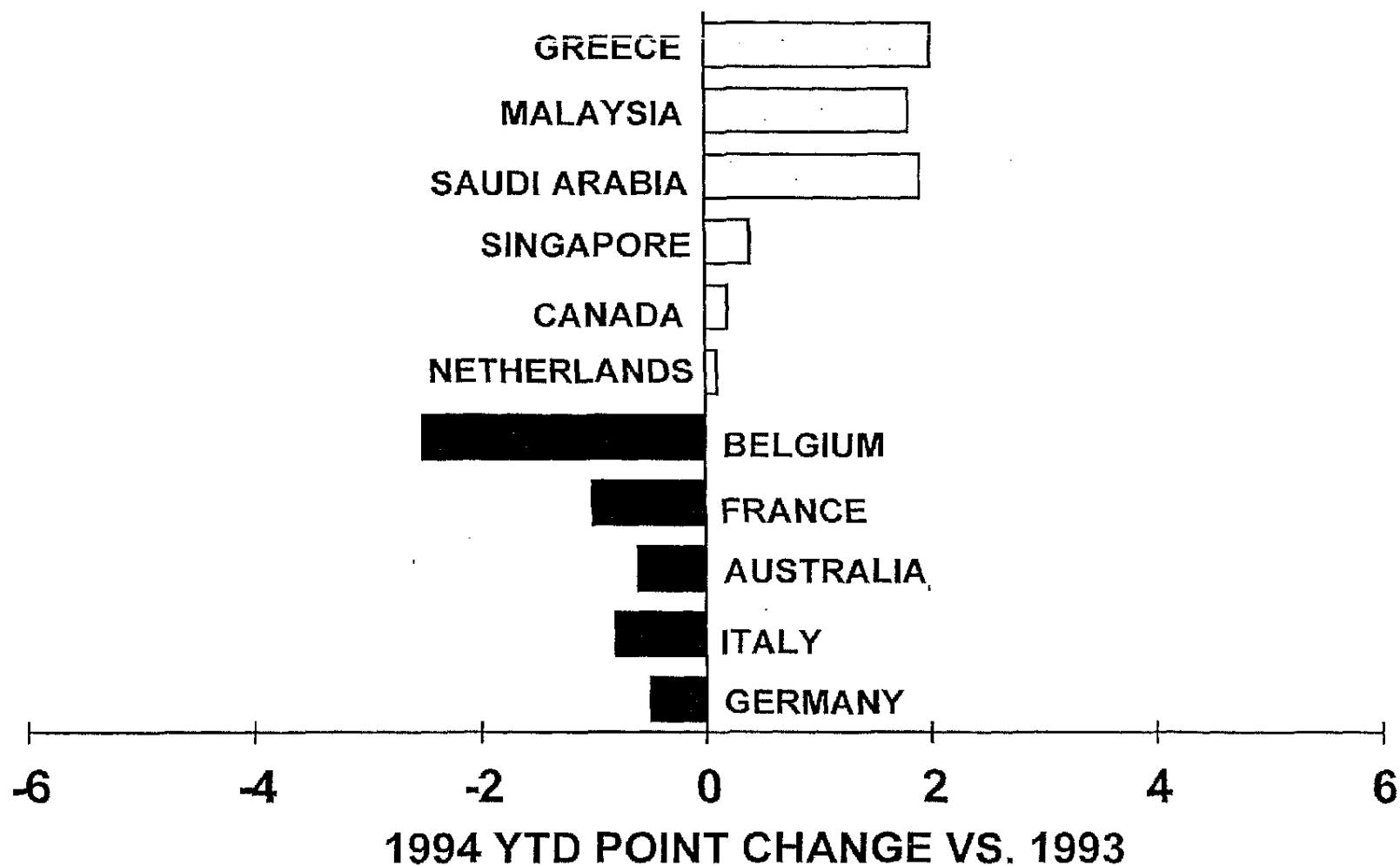
- JAPAN:

Announced corporate reorganization.

Public offering of one-third of JT's shares is expected in during the fourth quarter of 1994.

COMPETITOR REVIEW

ROTHMANS MARKET SHARE TRENDS

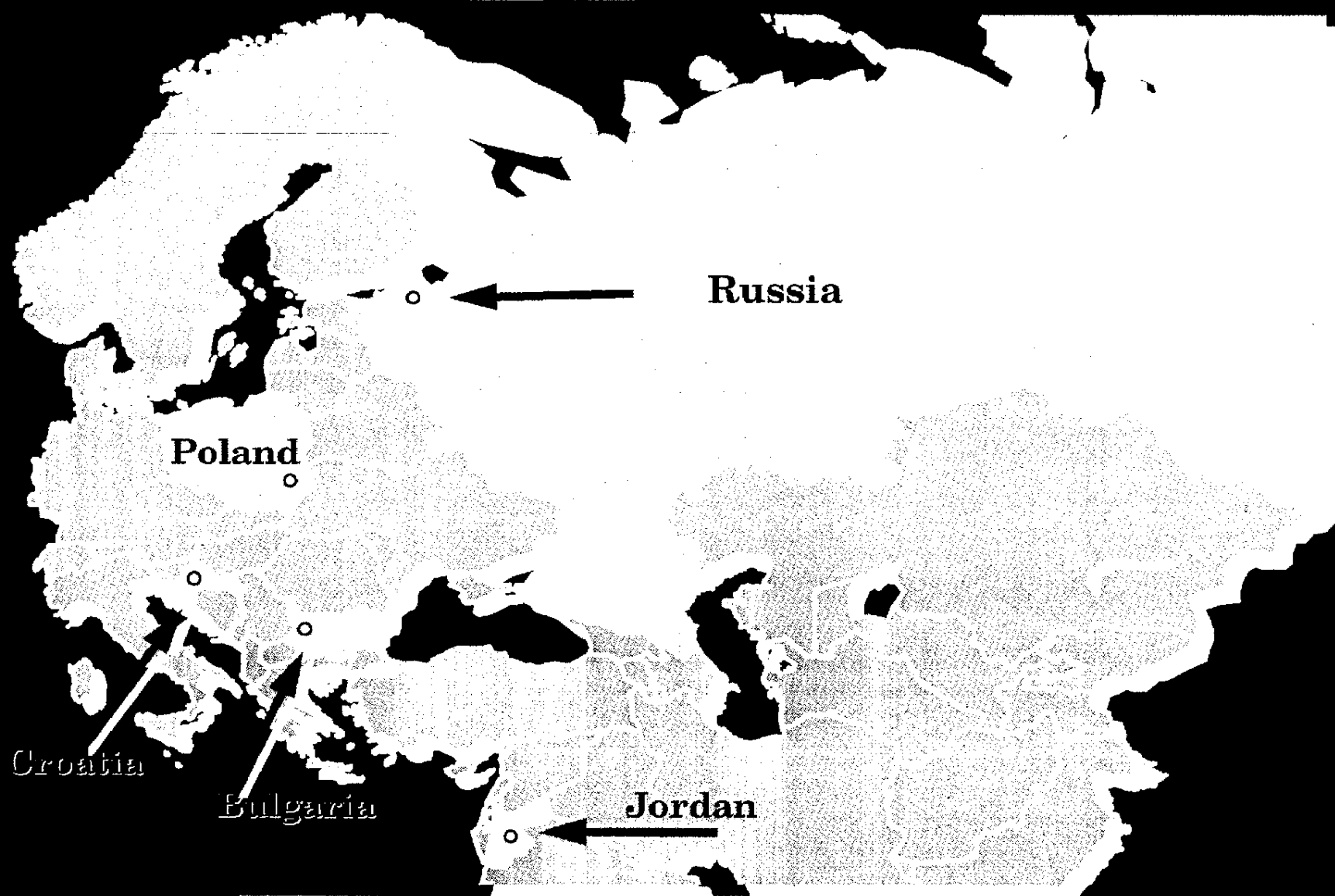


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COMPETITOR REVIEW

ROTHMANS

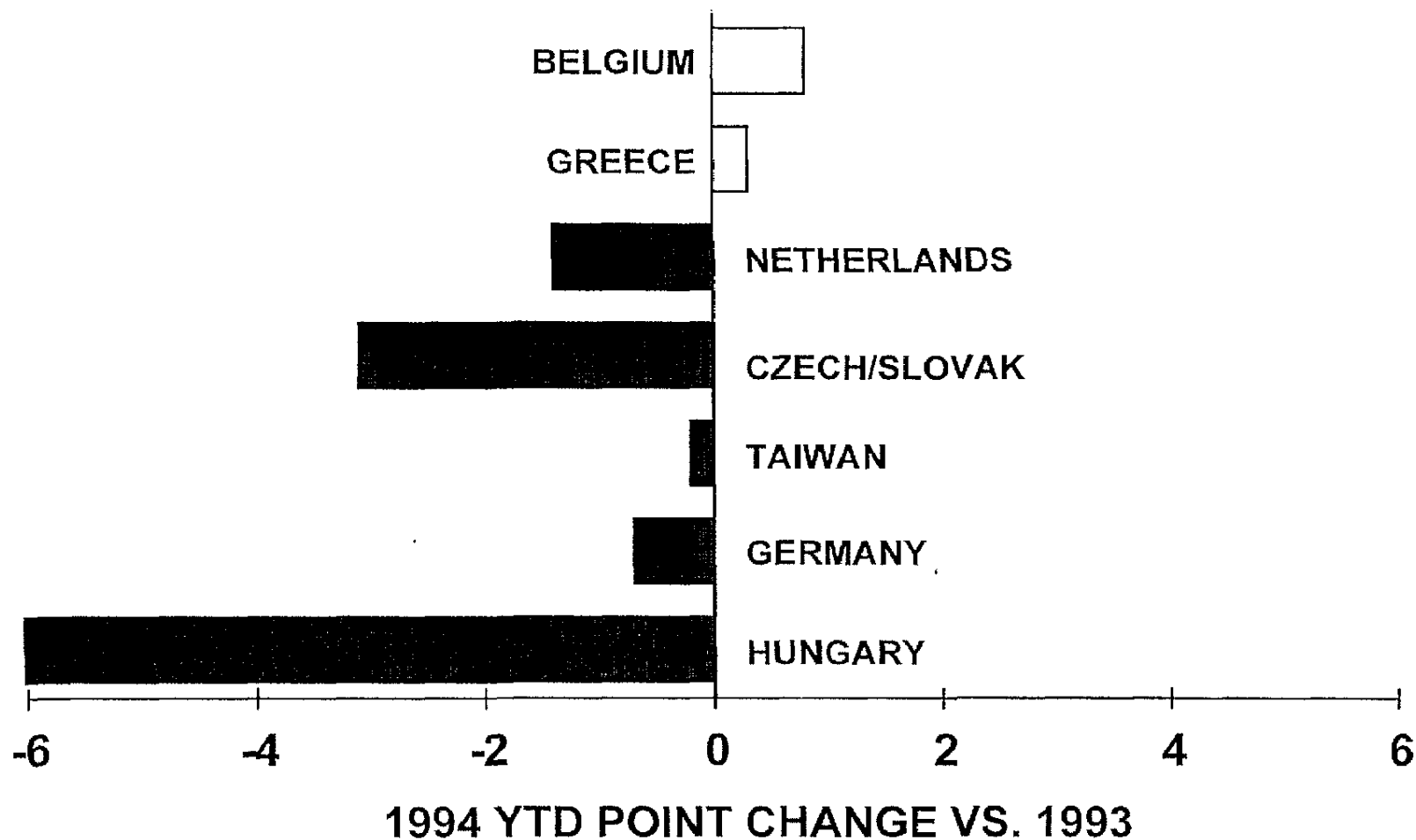


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COMPETITOR REVIEW

REEMTSMA MARKET SHARE TRENDS



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COMPETITOR REVIEW

REEMTSMA

1993 ESTIMATED
IFO

• \$181 Mio, UP 9.0% VERSUS 1992.

1994 VOLUME
VARIANCE

'93 ACTUAL	71.1
UKRAINE	18.0
GERMANY	1.3
CZECH/SLOVAK	(0.7)
HUNGARY	(1.7)
TAIWAN	0.2
OTHERS, NET	<u>3.5</u>
'94 ESTIMATE	<u>91.7 Bio</u>

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COMPETITOR REVIEW

REEMTSMA

LATEST INITIATIVES

- **UKRAINE:** Acquired 65% of the Cherkassy and Kiev factories.
- **MOLDOVA:** JV with the government for the development of local tobacco cultivation and production.
- **POLAND:** Negotiating ZPT Poznan acquisition.
- **BULGARIA:** Proposal for licensee production.

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COMPETITOR REVIEW

REEMTSMA



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COMPETITOR REVIEW

INTERNATIONAL COMPETITORS INVESTMENTS IN CENTRAL/EASTERN EUROPE



	# OF INITIATIVES	AMOUNT COMMITTED/INVESTED US\$ Mio	PROSPECTIVE CIGARETTE CAPACITY Bio units	COST PER (BIO) UNITS US \$ Mio. *
PMI*	7	\$522	58	\$9.6
BAT	6	400	66	8.1
RJR	6	216	65	4.5
ROTHMANS	2	86	10	11.3
REEMTSMA	6	376	45	11.2

* Excludes investment in Czech Republic.

**Calculated based on pro-rata ownership interest.

COMPETITOR REVIEW

PHILIP MORRIS INTERNATIONAL INVESTMENTS IN CENTRAL/EASTERN EUROPE

	# OF INITIATIVES	AMOUNT COMMITTED/INVESTED US\$ Mio	PROSPECTIVE CIGARETTE CAPACITY Bio units	COST PER (BIO) UNITS US \$ Mio. *
UKRAINE	1	\$6	5	\$2.4
KAZAKHSTAN	1	356	25	14.2
RUSSIA	3	69	14	5.7
LITHUANIA	1	50	6	8.2
HUNGARY	1	57	9	6.5
AVERAGE				9.6
AVERAGE EXCL. KAZAKHSTAN MONOPOLY				6.1

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COMPETITOR REVIEW

TABAK INVESTMENT

INVESTMENT FOR 77.5% EQUITY ➡ \$239mio.

	<u>92</u>	<u>93</u>	<u>94RF</u>	<u>95E</u>	<u>96E</u>	<u>CUM</u>
IFO (\$mio)	\$34.1	\$50.6	\$67.7	\$77.7	\$81.0	\$311.1
PM Equity%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%
PM Portion	\$26.4	\$39.2	\$52.5	\$60.2	\$62.8	\$241.1

Payback to PM: 5 Years

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COMPETITOR REVIEW

INTERNATIONAL COMPETITORS AFFORDABILITY ASSESSMENT

	CURRENT DEBT/EQUITY RATIO	ADDITIONAL FUNDS AT 1.40 NET DEBT/EQUITY RATIO
BAT	0.57	\$ 6.7
JT	(0.42)	10.6
ROTHMANS	0.20	3.0
REEMTSMA	(0.65)	1.9
RJR	1.37	0.2
PHILIP MORRIS	1.47	-

A NUMBER OF COMPETITORS COULD PURSUE
ACQUISITIONS SOLELY OR IN COMBINATION WITH OTHERS

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COMPETITOR REVIEW

CONCLUSIONS

B.A.T.

- Trademark consolidation and brand development represent a high potential global brand portfolio.
- Recent acquisitions and strong financial resources demonstrate renewed long-term commitment to tobacco.

J.T.

- Continued erosion in the domestic market makes international expansion imperative.
- Ample financial resources provide the means to execute this strategy.
- Privatization will create new benchmarks for performance.
- Market penetration through low price offerings could threaten industry stability.

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COMPETITOR REVIEW

CONCLUSIONS

R.J.R.

- Continued profit pressure makes them a destabilizing player in the global marketplace.
- Potential alliances/ownership changes continue to pose more serious long-term threat.

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COMPETITOR REVIEW

PMI STRATEGIES

- ❖ BUILD EQUITY OF PM BRANDS
 - DEVELOP CONSISTENT BRAND IMAGRY.
 - IMPROVE BRAND VISABILITY AT RETAIL.
 - EXPLORE OPPORTUNITIES TO FURTHER CONSOLIDATE OWNERSHIP OF INTERNATIONAL TRADEMARKS.
 - CONTINUE GEOGRAPHIC EXPANSION.
- ❖ LEVERAGE AND DEVELOP COMMERCIAL RELATIONSHIPS WITH MONOPOLIES.
 - LICENSING
 - CONTRACT MANUFACTURING
 - JOINT VENTURES
- ❖ ACCELERATE CENTRAL/EASTERN EUROPE INFRASTRUCTURE AND ORGANIZATION DEVELOPMENT.

BRAND FRANCHISES

TOP 10 INT'L BRANDS (ex-USA)

	1993 RANKING	BRAND	OWNER	VOLUME (Bio)		
				1993	1992	CHANGE
➡	1	MARLBORO	PM	238.8	232.0	2.9%
	2	WINSTON	RJR	48.8	43.5	12.1%
	3	CAMEL	RJR	38.4	36.1	6.4%
➡	4	B&H	PM/BAT/AB	33.9	36.4	-6.9%
➡	5	P. MORRIS	PM	22.8	22.1	3.2%
➡	6	L&M	PM	22.8	17.8	28.1%
	7	SE 555	BAT	22.5	21.0	7.2%
➡	8	LARK	PM	20.0	18.5	8.1%
	9	KENT	BAT	17.7	21.1	-16.2%
➡	10	CHESTERFIELD	PM	14.6	10.0	46.0%

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BRAND FRANCHISES

TOP 10 WORLD BRANDS (ex-USA)

	<u>1993 RANKING</u>	<u>BRAND</u>	<u>OWNER</u>	<u>VOLUME (Bio)</u>		
				<u>1993</u>	<u>1992</u>	<u>CHANGE</u>
➔	1	MARLBORO	PM	238.8	232.0	2.9%
	2	MILD 7	JT	127.7	127.7	0.0%
	3	88	KT&G	52.0	60.6	-14.4%
	4	WINSTON	RJR	48.8	43.5	12.1%
	5	CAMEL	RJR	38.4	36.1	6.4%
	6	CASTER	JT	37.1	35.4	4.9%
	7	CLEOPATRA	EASTERN	34.9	36.1	-3.2%
	8	BELMONT	PM/BAT/EAST.	33.6	38.5	-12.8%
	9	GAULOISES	SEITA	31.2	32.3	-3.3%
	10	MALTEPE	TEKEL	30.9	33.0	-6.2%

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COMPETITOR REVIEW

TOP 20 WORLD BRANDS (ex-USA)

1993 RANKING	BRAND	OWNER	VOLUME (Bio)		CHANGE
			1993	1992	
➔ 1	MARLBORO	PM	238.8	232.0	2.9%
2	MILD 7	JT	127.7	127.7	0.0%
3	88	KT&G	52.0	60.6	-14.4%
4	WINSTON	RJR	48.8	43.5	12.1%
5	CAMEL	RJR	38.4	36.1	6.4%
6	CASTER	JT	37.1	35.4	4.9%
7	CLEOPATRA	EASTERN	34.9	36.1	-3.2%
8	BELMONT	PM/BAT/EAST.	33.6	38.5	-12.8%
9	GAULOISES	SEITA	31.2	32.3	-3.3%
10	MALTEPE	TEKEL	30.9	33.0	-6.2%
11	7 STARS	JT	30.3	30.9	-2.2%
12	MS	MONITAL	30.0	33.1	-9.4%
13	LONG LIFE	TTWM	26.3	27.2	-3.2%
➔ 14	P. MORRIS	PM	22.8	22.1	3.2%
➔ 15	L&M	PM	22.8	17.8	28.1%
16	SE 555	BAT	22.5	21.0	7.2%
17	CABIN	JT	22.5	23.2	-3.3%
18	DUCADOS	TABACALERA	21.8	23.5	-7.0%
19	TEKEL	TEKEL	21.1	14.5	45.8%
➔ 20	LARK	PM	20.0	18.5	8.1%